

Whitehall District Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2008

Whitehall District Schools

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Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

The discussion and analysis of Whitehall District Schools' financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this Management Discussion and Analysis is to provide, in simple terms, a look at the District's past performance and current position. Readers may also review the financial statements, and notes to the financial statements to enhance their understanding of the District's financial performance.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is typically presented in the MD&A.

Overview of the Financial Statements

This annual report consists of five parts: (1) management's discussion and analysis (this section), (2) the independent auditors' report, (3) the basic financial statements, (4) required supplementary information, and (5) combining financial statements. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the District.

District-Wide Financial Statements

The district-wide financial statements are full accrual basis statements that provide information about the District's **overall** financial status. They are used to help determine whether or not the District is in a better or worse financial position as a result of the year's activities. The **Statement of Net Assets** reports all of the District's assets and liabilities, both short-term and long-term, whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the **Statement of Activities**, regardless of when cash is received or paid.

Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

The two district-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in net assets are an indicator of whether the District's financial position is improving or deteriorating.
- In order to accurately assess the District's overall health, the reader should also consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided, and the condition of the District's buildings.

In district-wide statements, the District's activities are classified as *governmental activities*. Governmental activities include most of the District's basic services, such as regular and special education, food service, athletics, transportation, and administration. Property taxes and state aid finance most of these services.

Fund Financial Statements

The fund financial statements focus on individual parts of the District, while reporting the District's operations in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources.

Fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the *General Fund*. Additional activities are reported in their relevant funds including: *Special Revenue Funds* for *Food Service*, *Athletic* and *Community Service* activities, *Debt Service Funds*, *Capital Project Funds*, and *Fiduciary Funds*.

In fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Financial Analysis of the District as a Whole

The net assets of the District at June 30, 2007 and June 30, 2008 amounted to approximately \$3.2 million and \$3.4 million, respectively. Figure A-1 shows a condensed breakdown of the net assets.

Figure A-1
Comparative Condensed Statement of Net Assets

	Governmental Activities <u>6-30-07</u>	Governmental Activities <u>6-30-08</u>
Current assets	\$ 7,335,132	\$ 8,430,404
Capital assets	33,985,587	33,336,861
Other non-current assets	<u>575,336</u>	<u>683,328</u>
Total assets	41,896,055	42,450,593
Current liabilities	3,524,562	5,214,595
Non-current liabilities	<u>35,177,759</u>	<u>33,834,931</u>
Total liabilities	<u>38,702,321</u>	<u>39,049,526</u>
Net assets		
Invested in capital assets, net of related debt	(278,411)	136,245
Restricted for debt service	677,019	878,711
Unrestricted	<u>2,795,126</u>	<u>2,386,111</u>
Total net assets	<u>\$ 3,193,734</u>	<u>\$ 3,401,067</u>

The District uses its capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining net assets represent resources that are either restricted for debt service or are unrestricted on how they may be used.

Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

The net assets of the District increased by \$207,333 during the 2007-2008 year. Figure A-2 shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the District's annual activity. The cost of the District's governmental activities for the year was approximately \$26.4 million. However, the amount that the District's taxpayers ultimately financed for these activities was only \$19.8 million because \$2.4 million of the cost was paid for by those who benefited from the programs, and \$4.2 million was paid for by other governments and organizations who subsidized certain programs with grants and contributions. The remaining "public benefit" portion was paid for with property taxes, state pupil foundation aid, investment earnings, and other miscellaneous revenues.

Figure A-2
Comparative Statement of Activities

	Governmental Activities <u>6-30-07</u>	Governmental Activities <u>6-30-08</u>
Revenues		
Program Revenues		
Charges for services	\$ 2,536,733	\$ 2,434,741
Operating grants and contributions	4,008,037	4,196,558
General revenues		
Property taxes	6,095,398	6,335,032
Unrestricted grants	13,597,462	13,465,865
Investment earnings	142,094	138,998
Other	<u>47,895</u>	<u>53,457</u>
Total revenues	26,427,619	26,624,651
Expenses		
Instruction	11,724,903	13,259,018
Support services	6,594,375	6,899,616
Community services	3,021,464	3,369,132
Food services	687,122	760,084
Athletics	418,063	457,640
Interest on long-term debt	1,736,095	1,651,250
Unallocated depreciation and amortization	<u>930,608</u>	<u>20,578</u>
Total expenses	<u>25,112,630</u>	<u>26,417,318</u>
Increase in net assets	1,314,989	207,333
Net Assets at beginning of year	<u>1,878,745</u>	<u>3,193,734</u>
Net Assets at end of year	<u>\$ 3,193,734</u>	<u>\$ 3,401,067</u>

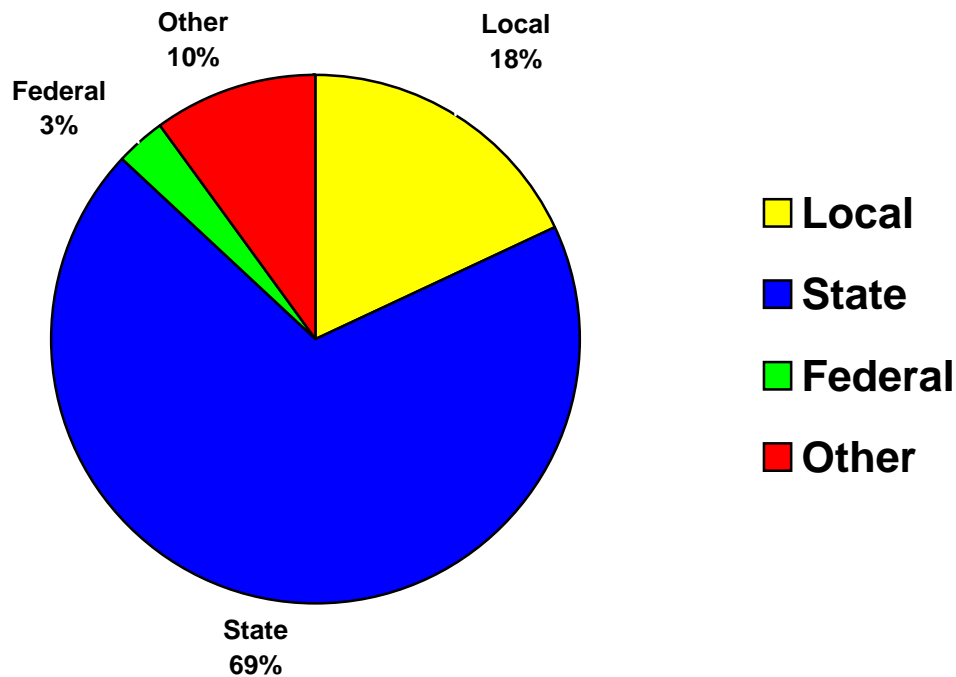
Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

The majority of the District's General Fund revenues (69%) are received from State sources. This means that the financial stability of the District rests primarily with the economic health of the State of Michigan. The chart below depicts the breakdown of the sources of revenue for the District.

Figure A-3
Sources of Revenue for Fiscal Year 2007-2008



Other major funds in the District do not reflect the same breakdown of revenues. The Community Education fund's Local revenues comprise 28% of their total and State revenues comprise 30% of their total revenues. Federal revenue is a significantly higher percentage than general fund, representing 42% of their total revenue stream.

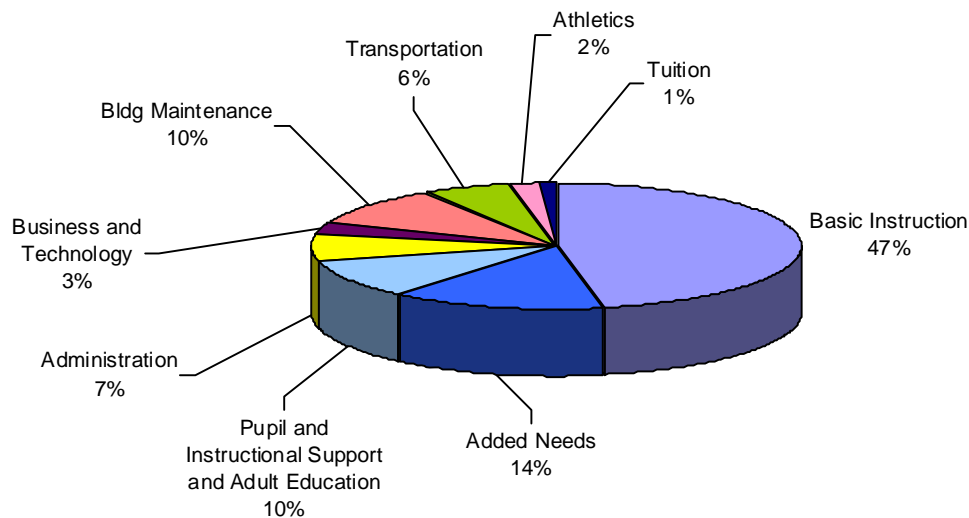
Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

As the chart below indicates, 71% of the District's resources are spent on instruction, pupil and instructional support services and adult education. Another 7% is spent on administrative services necessary to efficiently operate the District, while 10% is spent for building operation and maintenance, including utilities and custodial services and 6% is spent on transportation. The final 6% is spent on other support services

Figure A-4
Departmental Expenditures as Percentage of Total



Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Financial Analysis of the District's Funds

The stable financial performance of the District as a whole is also reflected in its governmental funds. The combined governmental funds' equity decreased during the 2007-08 fiscal year, resulting in total fund equity of approximately \$5 million at year end. The General Fund portion of the fund balance decreased to \$2,942,048. The primary reasons for the decreasing fund balance are as follows:

Factors Increasing Fund Equity

State Aid Act – Schools were given an increase of \$119 per pupil in the foundation grant. This increase provided the District with approximately \$264,000 of additional revenue for the 2007-2008 school year.

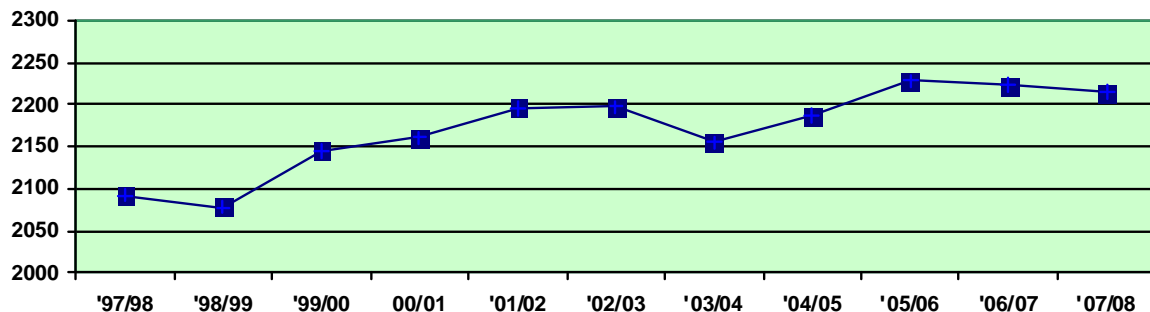
Benefit Costs– The District's cost for insurance premiums increased over the previous year by a moderate 1%. Retirement costs dropped from 17.74% to 16.72%.

Factors Decreasing Fund Equity

Staffing – Salaries for staff were increased by 2.5% for the 2007-2008 school year. Staff were added in the areas of first grade and speech continuing a District priority of maintaining low staffing levels in early education.

Decreased enrollment – The District's pupil enrollment for state aid funding purposes decreased by 8 memberships. The following chart depicts the enrollment changes experienced by the District over the past eleven years. The student decrease resulted in a loss of \$57,000 in revenue to the District.

Figure A-5
Enrollment History: 1998 through 2008



Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District periodically amends its budget during the school year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Revenues – There was a \$496,729 change in the total General Fund revenue budget from the beginning to the end of the year and \$765,755 difference in actual revenue from beginning budget. There were significant changes in funding sources as follows:

- The **local source** revenue was greater than the original budget by \$158,917. The increase was related to higher than anticipated State Equalized Valuations, and increased income from the special education transportation consortium.
- The **federal source** revenue was greater than the original budget by \$43,346.
- The **transfers from other governmental units** was greater than the original budget by \$501,181. This was a result of a significant increase in the adult education program and additional transfers to cover juvenile detention center expenses.

Expenditures – There was a \$478,540 increase in the total General Fund expenditures from the original budget to the actual year-end expenditures. The significant changes by functional category are as follows:

- The **instructional services** expenses were greater than the original budget by \$539,376. The increase in instructional services was related to salary increases, additional staff, purchase of elementary reading materials and high school math materials, and the growth of the community education program.
- The **supporting services** expenses were greater than the original budget by \$107,732. As with the instructional services budget, increases in supporting services was primarily related to salary increases and the addition of expenses related to special education programs.
- The **transfers to other governmental units** expenses were less than the original budget by \$168,568. Expenditures for central and region special education programs that had previously been charged in this area were moved into supporting services.

Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Capital Assets and Debt Administration

Capital Assets – A summary of the District’s capital assets at year-end is outlined in Figure A-6.

Figure A-6
Summary of Capital Assets (Net of Depreciation)

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Land	\$ 762,882	\$ 762,882
Building and improvements	32,046,212	31,395,776
Furniture and equipment	795,727	716,196
Vehicles	380,766	462,007
Total	<u>\$ 33,985,587</u>	<u>\$33,336,861</u>

The District purchased three buses and a van which accounted for the majority of capital asset acquisitions during the year.

Debt Administration – A summary of the District’s indebtedness is outlined in figure A-7.

Figure A-7
Summary of Indebtedness

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
1992 Bond Issue	\$ 1,124,251	\$ 606,203
1997 Refunding Bond Issue	7,280,000	0
2001 Bond Issue	10,377,432	9,722,408
2005 Refunding Bond Issue	16,451,224	16,402,303
2008 Refunding Bond Issue	0	7,263,225
1998 Durant bond issue	141,677	141,677
School Bond Loan Fund	743,496	777,318
Capital lease & other loans	89,704	69,914
Sick leave pay	254,094	284,423
Total	<u>\$ 36,461,878</u>	<u>\$35,267,471</u>

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the District. At June 30, 2008 the District’s net bonded debt of \$141,677 was well below the legal limit of approximately \$55 million.

Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

General Fund

Analysis of Transactions and Fund Balance

In 2002-2003, the District began making budget reductions in response to executive order cuts from the State of Michigan. Further reductions were made in 2003-2004 and 2004-2005 in an attempt to operate more efficiently as it became clear that the financial shortfalls at the state level would result in small or no increases in the per pupil foundation. As a result of early cuts and unexpected increases in enrollment, the District is in sound financial condition.

The General Fund balance decreased by \$238,839 in the 2007-2008 year. The primary reason for the decrease fund balance was the addition of staff and the purchase of a significant amount of new instructional materials and technology.

Capital Project Fund

Analysis of Transactions and Fund Balance

In 2001, a \$29,500,000 bond issue was passed by the citizens of the District, with the purpose of building a new high school, and renovating Ealy Elementary, Whitehall Middle School, and the Administration and Community Services Building.

During the 2007-2008 school year, approximately \$6,600 in interest was earned and credited to this fund. No additional revenue was credited.

The majority of all construction, including completion of the new high school, and renovations to the middle school and community services building was concluded during the 2005-2007 school years. Expenditures for the 2007-2008 school year were just over \$76,000 which paid for a new roof for the community services building. Approximately \$119,000 remains in fund balance to complete identified projects including a public address system for Ealy Elementary, and Community Services signage.

Community Education Fund

Analysis of Transactions and Fund Balance

Whitehall District Schools serves as the fiscal agent for White Lake Area Community Education, a consortium of five districts established to provide Pre-K through adult services to our communities.

Revenues decreased from \$4.5 million to \$4.4 million, and expenditures increased from \$3.95 million to \$4.7 million. Efficiencies of operating 5 districts through one consortium, including reduced management costs, allowed the program to operate despite the ebb and flow of grant dollars. \$354,983 was taken from fund balance during the 2007-2008 school year due to prior year funds that were recaptured by the State of Michigan and additional benefits offered to staff.

Whitehall District Schools

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Food Service Fund

Analysis of Transactions and Fund Balance

After spending several years of adjusting staff and programs as a response to opening a new High School facility, the food service program has shown two years of consecutive fund balance growth. The 2007-2008 year showed an operating surplus of \$16,769. There are equipment and marketing needs in the program that will be addressed in the coming years that may require the expenditure of some of the accumulated fund balance.

Currently Known Facts and Conditions Affecting the 2008/09 School Year

As of October of 2008, school districts in the state have been notified that the foundation paid for each student will increase by \$112 to \$7,316. Enrollment in the District appears to be down, with a reduction of approximately 19 students. The retirement rate has decreased slightly for the second straight year from 16.72 percent to 16.54 percent. The cost of insurance for the majority of our staff has not increase significantly for the 2008-2009 school year.

The combination of each of these financial issues allowed the board to feel comfortable that sufficient reductions had been made in previous years to allow the District to operate in a financially responsible manner without further budget reductions. In fact, additional money has been budgeted for technology and curricular upgrades and two additional staff members.

Requests for Information

This financial report is designed to provide the citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Ms. Christine Annese, Assistant Superintendent for Finance and Personnel, Whitehall District Schools, 541 E. Slocum, Whitehall, MI 49461, telephone number (231) 893-1010, email address: christineannese@whitehall.k12.mi.us

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

November 7, 2008

Board of Education
Whitehall District Schools
Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitehall District Schools (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Whitehall District Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Whitehall District Schools, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated November 7, 2008, on our consideration of Whitehall District Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

BRICKLEY DELONG

Board of Education
November 7, 2008
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The management's discussion and analysis and budgetary comparison information on pages i - xi and 28 - 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitehall District Schools' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Whitehall District Schools
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,879,263
Investments	1,203,023
Receivables	188,179
Due from other governmental units	4,154,262
Inventories	<u>5,677</u>
Total current assets	8,430,404
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	762,882
Depreciable	32,573,979
Bond issuance costs, net	482,791
Note and interest receivable	<u>200,537</u>
Total noncurrent assets	<u>34,020,189</u>
Total assets	42,450,593
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
State aid loan	1,200,000
Accounts payable and accrued liabilities	2,280,066
Due to other governmental units	190,812
Deferred revenue	52,317
Bonds and other obligations, due within one year	<u>1,491,400</u>
Total current liabilities	5,214,595
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	33,776,071
Accrued interest	<u>58,860</u>
Total noncurrent liabilities	<u>33,834,931</u>
Total liabilities	<u>39,049,526</u>
NET ASSETS	
Invested in capital assets, net of related debt	136,245
Restricted for debt service	878,711
Unrestricted	<u>2,386,111</u>
Total net assets	<u>\$ 3,401,067</u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2008

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense)
		Charges for services	Operating grants and contributions	Revenue and Changes in Net Assets
				Governmental activities
Governmental activities				
Instruction	\$ 13,259,018	\$ 515,305	\$ 1,366,235	\$ (11,377,478)
Support services	6,899,616	340,047	308,245	(6,251,324)
Community services	3,369,132	1,148,692	2,155,580	(64,860)
Food services	760,084	370,645	366,498	(22,941)
Athletics	457,640	60,052	-	(397,588)
Interest on long-term debt	1,651,250	-	-	(1,651,250)
Unallocated depreciation and amortization	20,578	-	-	(20,578)
Total governmental activities	<u>\$ 26,417,318</u>	<u>\$ 2,434,741</u>	<u>\$ 4,196,558</u>	(19,786,019)
General revenues				
Property taxes levied for				
General purposes				3,182,291
Debt service				3,152,741
Grants and contributions not restricted to specific programs				13,465,865
Investment earnings				138,998
Miscellaneous				<u>53,457</u>
Total general revenues				<u>19,993,352</u>
Change in net assets				207,333
Net Assets at July 1, 2007				<u>3,193,734</u>
Net Assets at June 30, 2008				<u><u>\$ 3,401,067</u></u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
BALANCE SHEET
Governmental Funds
June 30, 2008

	General Fund	Community Education Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 1,086,856	\$ 450,745	\$ 1,359,366	\$ 2,896,967
Investments	1,066,423	-	136,600	1,203,023
Receivables	188,179	-	-	188,179
Due from other governmental units	3,291,399	857,800	5,062	4,154,261
Due from other funds	695,610	-	93,916	789,526
Inventories	-	-	5,677	5,677
Total assets	<u>\$ 6,328,467</u>	<u>\$ 1,308,545</u>	<u>\$ 1,600,621</u>	<u>\$ 9,237,633</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
State aid loan	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Checks issued against future deposits	-	-	17,704	17,704
Accounts payable	125,917	57,390	1,000	184,307
Accrued liabilities	1,775,774	43,675	169	1,819,618
Due to other governmental units	190,812	-	-	190,812
Due to other funds	93,916	600,225	95,385	789,526
Deferred revenue	-	48,603	3,714	52,317
Total liabilities	<u>3,386,419</u>	<u>749,893</u>	<u>117,972</u>	<u>4,254,284</u>
Fund balances				
Reserved				
Inventories	-	-	5,677	5,677
Debt service	-	-	1,213,711	1,213,711
Capital projects	-	-	118,896	118,896
Unreserved				
Undesignated				
General Fund	2,942,048	-	-	2,942,048
Community Education Fund	-	558,652	-	558,652
School service funds	-	-	144,365	144,365
Total fund balances	<u>2,942,048</u>	<u>558,652</u>	<u>1,482,649</u>	<u>4,983,349</u>
Total liabilities and fund balances	<u>\$ 6,328,467</u>	<u>\$ 1,308,545</u>	<u>\$ 1,600,621</u>	<u>\$ 9,237,633</u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balance—governmental funds	\$	4,983,349
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 42,550,907	
Accumulated depreciation	<u>(9,214,046)</u>	33,336,861

Bond issuance costs are not capitalized and amortized in the governmental funds.

Bond issuance costs	573,027	
Accumulated amortization	<u>(90,236)</u>	482,791

Other long-term note and interest receivable in governmental activities is not
reported in the governmental funds.

200,537

Accrued interest in governmental activities is not reported in the governmental funds.

(335,000)

Long-term obligations in governmental activities are not due and payable in the current
period and are not reported in the governmental funds.

Bonds and notes payable	(34,983,048)	
Compensated absences	<u>(284,423)</u>	<u>(35,267,471)</u>

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>3,401,067</u></u>
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The accompanying notes are an integral part of this statement.

Whitehall District Schools
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2008

	General Fund	Community Education Fund	Other governmental funds	Total governmental funds
REVENUES				
Local sources				
Property taxes	\$ 3,189,691	\$ -	\$ 3,152,741	\$ 6,342,432
Investment earnings	68,307	19,665	46,168	134,140
Fees and charges	266,027	1,168,321	430,697	1,865,045
Other	30,575	50,413	8,043	89,031
Total local sources	3,554,600	1,238,399	3,637,649	8,430,648
State sources	13,497,292	1,307,132	27,623	14,832,047
Federal sources	560,462	1,843,905	364,217	2,768,584
Total revenues	17,612,354	4,389,436	4,029,489	26,031,279
EXPENDITURES				
Instruction	12,517,836	-	-	12,517,836
Support services	6,853,783	-	-	6,853,783
Community services	-	3,358,234	-	3,358,234
Food services	-	-	751,404	751,404
Athletics	-	-	448,484	448,484
Debt service				
Principal	7,215	-	1,390,000	1,397,215
Interest and other charges	585	-	1,381,630	1,382,215
Bond issuance costs	-	-	123,710	123,710
Advance refunding escrow	-	-	196,000	196,000
Capital projects	-	-	76,069	76,069
Total expenditures	19,379,419	3,358,234	4,367,297	27,104,950
Excess (deficiency) of revenues over (under) expenditures	(1,767,065)	1,031,202	(337,808)	(1,073,671)
OTHER FINANCING SOURCES (USES)				
Transfers from other governmental units and other transactions	590,473	-	-	590,473
Transfers in	1,386,185	-	381,580	1,767,765
Proceeds of refunding bonds	-	-	7,195,000	7,195,000
Premium proceeds of refunding bonds	-	-	96,860	96,860
Transfers out	(381,580)	(1,386,185)	-	(1,767,765)
Transfers to other governmental units and other transactions	(66,852)	-	-	(66,852)
Payment to refunded bond escrow agent	-	-	(7,168,150)	(7,168,150)
Total other financing sources (uses)	1,528,226	(1,386,185)	505,290	647,331
Net change in fund balances	(238,839)	(354,983)	167,482	(426,340)
Fund balances at July 1, 2007	3,180,887	913,635	1,315,167	5,409,689
Fund balances at June 30, 2008	\$ 2,942,048	\$ 558,652	\$ 1,482,649	\$ 4,983,349

The accompanying notes are an integral part of this statement.

Whitehall District Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
 For the year ended June 30, 2008

Net change in fund balances—total governmental funds	\$	(426,340)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities these costs are depreciated and amortized over their estimated useful lives, respectively.

Depreciation and amortization expense	\$ (900,258)	
Capital outlay and bond issuance costs	<u>399,157</u>	(501,101)

Governmental funds report the entire proceeds from sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.	(44,493)
--	----------

Interest income on the note receivable is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until received.	4,860
--	-------

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.	1,224,736
--	-----------

Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.	(20,000)
--	----------

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	<u>(30,329)</u>
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Change in net assets of governmental activities	<u><u>\$ 207,333</u></u>
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The accompanying notes are an integral part of this statement.

Whitehall District Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2008

	<u>Agency funds</u>
ASSETS	
Cash and cash equivalents	\$ 375,721
Receivables	<u>8,117</u>
	<u>383,838</u>
LIABILITIES	
Deposits held for others	367,603
Due to other governmental units	<u>16,235</u>
	\$ <u>383,838</u>

The accompanying notes are an integral part of this statement.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Whitehall District Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements – The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fund financial statements – Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District’s expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District’s primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The *Community Education Fund* accounts for community education and employment development programs.

The other nonmajor governmental funds are reported within the following types:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service and athletic activities in the school service special revenue funds.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects funds* account for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds – Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary funds are not included in the district-wide statements.

- The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation—Continued

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30, 2008 is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balances for the principal.

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". The School District had no advances between funds.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the School District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund—Non-homestead	18
Debt service fund—Homestead and non-homestead	7

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Inventories

Food service inventory is valued at the lower of cost (first-in, first-out) or market. The inventory is expendable supplies held for consumption and is recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Buildings and improvements	15-50 years
Buses and other vehicles	8-10 years
Furniture and equipment	5-20 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Compensated Absences

The liability for compensated absences reported in the district-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Early Retirement Incentives

For district-wide financial statements, the liability for early retirement incentives is reported when legally enforceable. For fund financial statements, the liability for early retirement incentives is reported either 1) on the due date when there is a specified due date or 2) on the retirement date if it is before year end, when there is not a specified legally enforceable due date.

Deferred Revenue

Deferred revenue arises when assets are recorded before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets in District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Pursuant to the Michigan School Accounting Manual Referent Group guidance for Michigan public school districts, School Bond Loan Fund and School Loan Revolving Fund debt is not considered to be capital related debt.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Fund Equity In Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, Community Education Fund, special revenue, debt service and capital project funds. All annual appropriations lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Assistant Superintendent is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The School District does not consider these amendments to be significant.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, expenditures in the General Fund exceeded appropriations in the added needs function by \$43,823 and instructional staff function by \$42,781. Expenditures in the Community Education Fund exceeded appropriations in community education and enrichment by \$228,512, early childhood by \$33,987, work force development by \$8,052 and outgoing transfers and other transactions by \$212,535. The over expenditures in the General Fund were funded by greater than anticipated revenue or decreases in other expenditure functions.

School Bond Construction Compliance

The 2001 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351(a) of the State of Michigan's School Code.

Following is a summary of the revenue and expenditures in the 2001 Capital Projects Fund from the inception of the fund through June 30, 2008.

	<u>2001 Capital Projects Fund</u>
Revenue and bond proceeds	\$31,305,921
Expenditures	31,187,025

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2008, the School District had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Standard & Poor's rating</u>	<u>Percent</u>
Fifth Third Institutional				
Government Money Market Fund	\$ 136,600	44	AAA	11 %
Guaranteed Investment Contract (GIC)	<u>1,066,423</u>	366	SP 1+	<u>89</u>
Total fair value	<u>\$ 1,203,023</u>			<u>100 %</u>
Portfolio weighted average maturity		<u>329</u>		

Interest rate risk. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Credit risk. State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk. The School District does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$3,607,471 of the School District's bank balance of \$3,707,471 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The School District does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the state aid anticipation note disclosed in Note H. The Investment Agreement, dated as of August 20, 2007, by and among Wells Fargo Bank, N.A, as the Depository on behalf of both the participating Michigan School Districts and the Michigan Municipal Bond Authority, and Fifth Third Bank, as Provider. The net proceeds from the sale of the Series B-1 Notes were loaned by the Authority to Michigan School Districts. Such loans were repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 102 percent of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity. The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 5.02 percent (simple interest actual days elapsed over a 365-day year).

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 762,882	\$ -	\$ -	\$ 762,882
Capital assets, being depreciated:				
Buildings and improvements	38,493,016	85,420	69,525	38,508,911
Furniture and equipment	1,782,747	40,907	5,819	1,817,835
Vehicles and equipment	1,446,650	149,120	134,491	1,461,279
Total capital assets, being depreciated	41,722,413	275,447	209,835	41,788,025
Less accumulated depreciation:				
Buildings and improvements	6,446,804	691,363	25,032	7,113,135
Furniture and equipment	987,020	120,438	5,819	1,101,639
Vehicles and equipment	1,065,884	67,879	134,491	999,272
Total accumulated depreciation	8,499,708	879,680	165,342	9,214,046
Total capital assets, being depreciated, net	33,222,705	(604,233)	44,493	32,573,979
Capital assets, net	\$ 33,985,587	\$ (604,233)	\$ 44,493	\$ 33,336,861

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 730,042
Support services	102,713
Community services	10,899
Athletics	27,346
Food services	8,680
	\$ 879,680

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Bond issuance costs	\$ 449,317	\$ 123,710	\$ -	\$ 573,027
Less accumulated amortization	<u>69,658</u>	<u>20,578</u>	<u>-</u>	<u>90,236</u>
Bond issuance costs, net	<u>\$ 379,659</u>	<u>\$ 103,132</u>	<u>\$ -</u>	<u>\$ 482,791</u>

Amortization

Amortization expense has been charged as unallocated amortization.

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Education Fund	\$ 600,225
General Fund	Other governmental funds	95,385
Other governmental funds	General Fund	<u>93,916</u>
		<u>\$ 789,526</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$381,580 to the Athletics Fund and the Community Education Fund transferred \$1,386,185 to the General Fund to finance operations.

NOTE G—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2008 follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
State aid anticipation note				
2007/2008 3.86% due August 2008	\$ -	\$ 1,200,000	\$ -	<u>\$ 1,200,000</u>

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE H—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include the School Bond Loan Fund, School Loan Revolving Fund, capital leases, and Education Interconnection and Consortium Financing Agreement, early retirement incentives and compensated absences.

Summary of Long-term Obligations

On March 25, 2008, the School District issued \$7.195 million in General Obligation Bonds with interest rates from 3 to 4 percent to partially advance refund \$7.2 million of outstanding 1997 Refunding General Obligation Bonds with average interest rates of 4.9 percent. The net proceeds of approximately \$7.364 million, (after payment of \$124 thousand in underwriting fees, insurance and other issuance costs) including \$196 thousand of 1997 Refunding General Obligation Bonds fund monies, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for redemption and interest of 1997 Refunding General Obligation Bonds which were scheduled for maturity through May 1, 2018. As a result, the 1997 Refunding General Obligation Bonds were considered to be partially defeased. The 1997 Refunding General Obligation Bonds had one payment remaining of \$80,000, which was made in May 2008.

The School District advance refunded the 1997 Refunding General Obligation Bonds to reduce its total debt service payments over the next 10 years by approximately \$518,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$400,000.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
Governmental activities					
Bonds	\$ 35,635,928	\$ 7,266,952	\$ 8,590,000	\$ 34,312,880	\$ 1,481,968
Plus issuance premium	175,352	90,860	11,522	254,690	18,337
Less deferred amount on refunding	(436,696)	(20,886)	(25,828)	(431,754)	(27,394)
	<u>35,374,584</u>	<u>7,336,926</u>	<u>8,575,694</u>	<u>34,135,816</u>	<u>1,472,911</u>
Other obligations	833,200	33,822	19,790	847,232	18,489
Compensated absences	<u>254,094</u>	<u>30,329</u>	<u>-</u>	<u>284,423</u>	<u>-</u>
	<u>\$ 36,461,878</u>	<u>\$ 7,401,077</u>	<u>\$ 8,595,484</u>	<u>\$ 35,267,471</u>	<u>\$ 1,491,400</u>

In the previous schedule the additions for bonds represents additional accreted interest on a capital appreciation bond of \$71,952 and proceeds from the 2008 Refunding General Obligation Bond of \$7,195,000. The additions for other obligations represent \$17,803 of accrued interest on the School Bond Loan Fund and \$16,019 of accrued interest on the School Loan Revolving Fund.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE H—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

General obligation bonds consist of the following:

1992 School Building and Site Capital Appreciation Bond payable including interest at 6.4%, final payment due May 2009	\$ 606,203
2001 School Building and Site General Obligation Bond payable in annual installments ranging from \$675,000 to \$2,000,000 due May 2009 to 2027; plus interest ranging from 4% to 5.5% payable semi-annually	9,625,000
Plus issuance premium	97,408
	<u>9,722,408</u>
2005 Refunding General Obligation Bond payable in annual installments ranging from \$70,000 to \$1,885,000 due May 2009 to 2024; plus interest ranging from 3% to 5% payable semi-annually	16,745,000
Plus issuance premium	68,693
Less deferred amount on refunding	(411,390)
	<u>16,402,303</u>
2008 Refunding General Obligation Bond payable in annual installments ranging from \$115,000 to \$820,000 due May 2009 to 2018; plus interest ranging from 3% to 4% payable semi-annually	7,195,000
Plus issuance premium	88,589
Less deferred amount on refunding	(20,364)
	<u>7,263,225</u>
Durant obligations payable in annual installments ranging from \$19,891 to \$133,648 including interest at approximately 4.76% due May 2009 to 2013. The School District is only obligated to make the annual payments to the extend of annual State of Michigan state school aid appropriations.	141,677
	<u>34,135,816</u>
Total bonded debt	34,135,816

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE H—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

School Bond Loan Fund General Obligation	
Bond payable as soon as annual tax collections exceed annual debt service payment requirements or May 2033, whichever is sooner; interest payable of \$67,707 is included at rates ranging from 4.25% to 4.75%	\$ 413,934
School Loan Revolving Fund payable no later than May 2033; interest payable of \$42,281 is included at rates ranging from 4.38% to 4.82%	363,384
Capital lease obligation payable in monthly installments of \$650 including interest at 9.17%; final payment due March 2009	5,633
Education Interconnection and Consortium Financing Agreement payable in annual installments of \$12,856 due March 2009 to 2013	<u>64,281</u>
Total other obligations	847,232
Compensated absences	<u>284,423</u>
	<u><u>\$ 35,267,471</u></u>

The Durant bonds, including interest, were issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. The note receivable on the Statement of Net Assets is for the future appropriations from the State of Michigan to pay the Durant obligations.

Prior-year Defeasance of Debt

In prior years, the School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2008, \$15.975 million of bonds outstanding are considered defeased.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE H—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

The annual requirements of principal and interest to amortize the bonded debt, capital leases and Education Interconnection and Consortium Financing Agreement outstanding as of June 30, 2008 follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 1,500,457	\$ 1,510,726	\$ 3,011,183
2010	1,579,370	1,411,205	2,990,575
2011	1,580,157	1,352,670	2,932,827
2012	1,695,967	1,352,378	3,048,345
2013	1,706,843	1,230,545	2,937,388
2014-2018	9,460,000	5,023,656	14,483,656
2019-2023	9,000,000	3,063,958	12,063,958
2024-2028	7,860,000	977,618	8,837,618
	\$ 34,382,794	\$ 15,922,756	\$ 50,305,550

Prior-year Defeasance of Debt

In prior years, the School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2008, \$15.975 million of bonds outstanding are considered defeased.

NOTE I—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE I—EMPLOYEE BENEFITS—Continued

Employee Retirement System – Defined Benefit Plan—Continued

Funding policy—Continued

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, was 16.72 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were approximately \$2,204,000, \$2,187,000, and \$1,908,000 respectively, and were equal to the required contribution for those years.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE J—CONTINGENCIES

Litigation – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Grant Programs – The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Whitehall District Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE K—OTHER INFORMATION

Economic Dependence – Prior years revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 74 percent of General Fund revenues.

Risk Management – The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

NOTE L—SUBSEQUENT EVENTS

State Aid Anticipation Note

In August 2008, the School District received the proceeds of a \$1,500,000 State of Michigan (State) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2009 and bears interest at the rate of 1.63 percent per annum. The School District pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit, and resources of the School District.

Commitment

As of June 30, 2008, the School District had approved the purchase of two buses for approximately \$124,000 and computer equipment for approximately \$100,000.

REQUIRED SUPPLEMENTARY INFORMATION

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 3,395,683	\$ 3,421,098	\$ 3,554,600	\$ 133,502
State sources	13,434,981	13,591,922	13,497,292	(94,630)
Federal sources	517,116	517,116	560,462	43,346
Incoming transfers and other transactions	<u>1,475,477</u>	<u>1,789,850</u>	<u>1,976,658</u>	<u>186,808</u>
Total revenues	18,823,257	19,319,986	19,589,012	269,026
EXPENDITURES				
Instruction				
Basic programs	8,927,949	9,155,620	9,152,785	2,835
Added needs	2,559,836	2,757,030	2,800,853	(43,823)
Adult/continuing education	490,675	583,475	564,198	19,277
Support services				
Pupil	985,657	1,028,740	950,736	78,004
Instructional staff	496,569	625,376	668,157	(42,781)
General administration	594,610	570,842	529,552	41,290
School administration	957,332	949,243	947,679	1,564
Business	579,531	261,859	288,817	(26,958)
Operations and maintenance	1,995,335	1,926,705	1,887,798	38,907
Pupil transportation services	1,139,057	1,156,098	1,132,996	23,102
Central	-	436,329	455,848	(19,519)
Other	5,760	7,410	-	7,410
Outgoing transfers and other transactions	<u>617,000</u>	<u>390,355</u>	<u>448,432</u>	<u>(58,077)</u>
Total expenditures	<u>19,349,311</u>	<u>19,849,082</u>	<u>19,827,851</u>	<u>21,231</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(526,054)</u>	\$ <u>(529,096)</u>	(238,839)	\$ <u>290,257</u>
Fund balance at July 1, 2007			<u>3,180,887</u>	
Fund balance at June 30, 2008			<u>\$ 2,942,048</u>	

Whitehall District Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Community Education Fund
For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 965,000	\$ 1,273,465	\$ 1,238,399	\$ (35,066)
State sources	1,228,564	1,168,666	1,307,132	138,466
Federal sources	1,792,500	1,692,250	1,843,905	151,655
Incoming transfers and other transactions	-	13,000	-	(13,000)
Total revenues	3,986,064	4,147,381	4,389,436	242,055
EXPENDITURES				
Adult education and support	12,500	199,485	-	199,485
Community education and enrichment	311,600	329,939	558,451	(228,512)
Early childhood	1,824,800	1,756,159	1,790,146	(33,987)
Work force development	849,050	1,001,585	1,009,637	(8,052)
Outgoing transfers and other transactions	912,477	1,173,650	1,386,185	(212,535)
Total expenditures	3,910,427	4,460,818	4,744,419	(283,601)
Excess (deficiency) of revenues over (under) expenditures	\$ 75,637	\$ (313,437)	(354,983)	\$ (41,546)
Fund balance at July 1, 2007			913,635	
Fund balance at June 30, 2008			\$ 558,652	

OTHER SUPPLEMENTAL INFORMATION

Whitehall District Schools
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2008

	Total other governmental funds	School Service		Debt Service					Capital Projects
		Food Service	Athletics	1992	1997	2001	2005	2008	2001
ASSETS									
Cash and cash equivalents	\$ 1,359,366	\$ 47,132	\$ 2,138	\$ 324,299	\$ 114,547	\$ 573,034	\$ 298,216	\$ -	\$ -
Investments	136,600	-	-	-	-	-	-	-	136,600
Receivables	-	-	-	-	-	-	-	-	-
Due from other governmental units	5,062	5,062	-	-	-	-	-	-	-
Due from other funds	93,916	93,916	-	-	-	-	-	-	-
Inventories	5,677	5,677	-	-	-	-	-	-	-
Total assets	<u>\$ 1,600,621</u>	<u>\$ 151,787</u>	<u>\$ 2,138</u>	<u>\$ 324,299</u>	<u>\$ 114,547</u>	<u>\$ 573,034</u>	<u>\$ 298,216</u>	<u>\$ -</u>	<u>\$ 136,600</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Checks issued against future deposits	\$ 17,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,704
Accounts payable	1,000	-	-	1,000	-	-	-	-	-
Accrued liabilities	169	169	-	-	-	-	-	-	-
Due to other funds	95,385	-	-	20,405	13,726	37,458	23,796	-	-
Deferred revenue	3,714	3,714	-	-	-	-	-	-	-
Total liabilities	<u>117,972</u>	<u>3,883</u>	<u>-</u>	<u>21,405</u>	<u>13,726</u>	<u>37,458</u>	<u>23,796</u>	<u>-</u>	<u>17,704</u>
Fund balances									
Reserved									
Inventories	5,677	5,677	-	-	-	-	-	-	-
Debt service	1,213,711	-	-	302,894	100,821	535,576	274,420	-	-
Capital projects	118,896	-	-	-	-	-	-	-	118,896
Unreserved									
Undesignated	144,365	142,227	2,138	-	-	-	-	-	-
Total fund balances	<u>1,482,649</u>	<u>147,904</u>	<u>2,138</u>	<u>302,894</u>	<u>100,821</u>	<u>535,576</u>	<u>274,420</u>	<u>-</u>	<u>118,896</u>
Total liabilities and fund balances	<u>\$ 1,600,621</u>	<u>\$ 151,787</u>	<u>\$ 2,138</u>	<u>\$ 324,299</u>	<u>\$ 114,547</u>	<u>\$ 573,034</u>	<u>\$ 298,216</u>	<u>\$ -</u>	<u>\$ 136,600</u>

Whitehall District Schools
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

Other Governmental Funds
For the year ended June 30, 2008

	Total other governmental funds	School Service		Debt Service					Capital Projects
		Food Service	Athletics	1992	1997	2001	2005	2008	2001
REVENUES									
Local sources									
Property taxes	\$ 3,152,741	\$ -	\$ -	\$ 648,564	\$ 472,910	\$ 1,193,539	\$ 837,728	\$ -	\$ -
Investment earnings	46,168	2,359	606	8,878	2,482	17,775	7,446	-	6,622
Fees and charges	430,697	370,645	60,052	-	-	-	-	-	-
Other	8,043	3,329	4,714	-	-	-	-	-	-
Total local sources	3,637,649	376,333	65,372	657,442	475,392	1,211,314	845,174	-	6,622
State sources	27,623	27,623	-	-	-	-	-	-	-
Federal sources	364,217	364,217	-	-	-	-	-	-	-
Total revenues	4,029,489	768,173	65,372	657,442	475,392	1,211,314	845,174	-	6,622
EXPENDITURES									
Food service	751,404	751,404	-	-	-	-	-	-	-
Athletics	448,484	-	448,484	-	-	-	-	-	-
Debt service									
Principal	1,390,000	-	-	590,000	80,000	650,000	70,000	-	-
Interest and other charges	1,381,630	-	-	1,000	183,996	474,888	721,746	-	-
Bond issuance costs	123,710	-	-	-	-	-	-	123,710	-
Advance refunding escrow	196,000	-	-	-	196,000	-	-	-	-
Capital projects	76,069	-	-	-	-	-	-	-	76,069
Total expenditures	4,367,297	751,404	448,484	591,000	459,996	1,124,888	791,746	123,710	76,069
Excess (deficiency) of revenues over (under) expenditures	(337,808)	16,769	(383,112)	66,442	15,396	86,426	53,428	(123,710)	(69,447)
OTHER FINANCING SOURCES (USES)									
Transfers in	381,580	-	381,580	-	-	-	-	-	-
Proceeds of refunding bonds	7,195,000	-	-	-	-	-	-	7,195,000	-
Premium proceeds of refunding bonds	96,860	-	-	-	-	-	-	96,860	-
Payment to refunded bond escrow agent	(7,168,150)	-	-	-	-	-	-	(7,168,150)	-
Total other financing sources (uses)	505,290	-	381,580	-	-	-	-	123,710	-
Net change in fund balances	167,482	16,769	(1,532)	66,442	15,396	86,426	53,428	-	(69,447)
Fund balances at July 1, 2007	1,315,167	131,135	3,670	236,452	85,425	449,150	220,992	-	188,343
Fund balances at June 30, 2008	\$ 1,482,649	\$ 147,904	\$ 2,138	\$ 302,894	\$ 100,821	\$ 535,576	\$ 274,420	\$ -	\$ 118,896

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2008

Board of Education
Darlene Dongvillo
Whitehall District Schools
Whitehall, Michigan

In planning and performing our audit of the financial statements of Whitehall District Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Whitehall District Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of the Board of Education, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Capital Assets

Recommendation 1: The review and recording of capital assets should be improved.

During our detailed audit tests, we noted a capital asset addition invoice was posted to a miscellaneous expenditure account in the general ledger rather than a capital outlay account, and the asset was not included for a current year addition for capitalization.

Posting of disbursements to appropriate general ledger accounts and periodic review of the capital outlay accounts would help to ensure that all capital assets are properly accounted for in the financial statements.

Community Education

Recommendation 2: The development of Community Education budget items should be reviewed.

During our review and comparison of Community Education budgeted amounts to actual amounts for the year, we noted line items for which the final budgeted amounts did not appear to be realistic projections of expenditures.

Periodic review of budget to actual amounts and amendments based upon facts and circumstances near the end of the year would help to ensure that the final budget amounts more accurately reflect the actual operations of Community Education.

Whitehall District Schools
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2008

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 7, 2008

Board of Education
Whitehall District Schools
Whitehall, Michigan

We have audited the financial statements of Whitehall District Schools as of and for the year ended June 30, 2008 and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitehall District Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Whitehall District Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whitehall District Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses, as Findings 1 and 2, to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

BRICKLEY DELONG

Board of Education
November 7, 2008
Page 2

Compliance

As part of obtaining reasonable assurance about whether Whitehall District Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Whitehall District Schools' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Whitehall District Schools' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 7, 2008

Board of Education
Whitehall District Schools
Whitehall, Michigan

Compliance

We have audited the compliance of Whitehall District Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Whitehall District Schools' major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Whitehall District Schools' management. Our responsibility is to express an opinion on Whitehall District Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Whitehall District Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Whitehall District Schools' compliance with those requirements.

In our opinion, Whitehall District Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Whitehall District Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Whitehall District Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Whitehall District Schools' internal control over compliance.

Board of Education
November 7, 2008
Page 2

Internal Control Over Compliance—Continued

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Whitehall District Schools as of and for the year ended June 30, 2008 and have issued our report thereon dated November 7, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Brickley DeLong, PLC in black ink.

Whitehall District Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2007	Cash or payments in kind received (cash basis)	Prior year	Expenditures (accrual basis) Current year	Total	Accrued (deferred) revenue June 30, 2008
U.S. Department of Education								
Passed through Michigan Department of Education:								
Title I Part A	84.010							
0715300607		\$ 278,093	\$ 99,735	\$ 111,352	\$ 253,533	\$ 11,617	\$ 265,150	\$ -
0815300708		305,326	-	167,036	-	281,839	281,839	114,803
		<u>583,419</u>	<u>99,735</u>	<u>278,388</u>	<u>253,533</u>	<u>293,456</u>	<u>546,989</u>	<u>114,803</u>
Title I Part D	84.010							
0817000708		31,514	-	31,514	-	31,514	31,514	-
Title V Part A	84.298							
0802500708		479	-	365	-	479	479	114
Title II Part D	84.318							
0642900506		5,131	255	255	5,131	-	5,131	-
0842900708		2,870	-	2,202	-	2,372	2,372	170
		<u>8,001</u>	<u>255</u>	<u>2,457</u>	<u>5,131</u>	<u>2,372</u>	<u>7,503</u>	<u>170</u>
Title II Part A	84.367							
0705200607		88,696	31,129	31,129	84,742	-	84,742	-
0805200708		89,649	-	20,751	-	61,775	61,775	41,024
		<u>178,345</u>	<u>31,129</u>	<u>51,880</u>	<u>84,742</u>	<u>61,775</u>	<u>146,517</u>	<u>41,024</u>
Total passed through Michigan Department of Education		801,758	131,119	364,604	343,406	389,596	733,002	156,111
Passed through Muskegon Area Intermediate School District:								
Adult Education	84.002							
710587		20,765	9,971	9,971	20,765	-	20,765	-
081130-810587		22,868	-	22,868	-	22,868	22,868	-
		<u>43,633</u>	<u>9,971</u>	<u>32,839</u>	<u>20,765</u>	<u>22,868</u>	<u>43,633</u>	<u>-</u>
I.D.E.A 101-476	84.027							
7302		33,000	33,000	33,000	33,000	-	33,000	-
0607		84,720	84,720	84,720	84,720	-	84,720	-
0708		147,600	-	28,174	-	143,886	143,886	115,712
		<u>265,320</u>	<u>117,720</u>	<u>145,894</u>	<u>117,720</u>	<u>143,886</u>	<u>261,606</u>	<u>115,712</u>
Drug Free Schools	84.186							
082860-0708		7,853	-	7,853	-	7,853	7,853	-
Total passed through Muskegon Area Intermediate School District		<u>316,806</u>	<u>127,691</u>	<u>186,586</u>	<u>138,485</u>	<u>174,607</u>	<u>313,092</u>	<u>115,712</u>
Total U.S. Department of Education		1,118,564	258,810	551,190	481,891	564,203	1,046,094	271,823

Whitehall District Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2007	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue
					Prior year	Current year	Total	June 30, 2008
<i>U.S. Department of Agriculture</i>								
Passed through Michigan Department of Education:								
National School Lunch and Breakfast								
Entitlement commodities	10.550	\$ 45,441	\$ -	\$ 45,441	\$ -	\$ 45,441	\$ 45,441	\$ -
Bonus commodities		859	-	859	-	859	859	-
		<u>46,300</u>	<u>-</u>	<u>46,300</u>	<u>-</u>	<u>46,300</u>	<u>46,300</u>	<u>-</u>
Child Nutrition Cluster								
071970 Breakfast	10.553	58,364	-	5,354	53,010	5,354	58,364	-
081970 Breakfast		53,875	-	53,875	-	53,875	53,875	-
		<u>112,239</u>	<u>-</u>	<u>59,229</u>	<u>53,010</u>	<u>59,229</u>	<u>112,239</u>	<u>-</u>
071950 Lunches	10.555	49,901	-	5,533	44,368	5,533	49,901	-
081950 Lunches		43,158	-	43,158	-	43,158	43,158	-
071960 Free and reduced		214,358	-	23,576	190,782	23,576	214,358	-
081960 Free and reduced		186,421	-	186,421	-	186,421	186,421	-
		<u>493,838</u>	<u>-</u>	<u>258,688</u>	<u>235,150</u>	<u>258,688</u>	<u>493,838</u>	<u>-</u>
071920 Child Care Food	10.558	10,453	-	1,587	8,866	1,587	10,453	-
081920 Child Care Food		10,418	-	10,418	-	10,726	10,726	308
		<u>20,871</u>	<u>-</u>	<u>12,005</u>	<u>8,866</u>	<u>12,313</u>	<u>21,179</u>	<u>308</u>
Total Child Nutrition Cluster		<u>626,948</u>	<u>-</u>	<u>329,922</u>	<u>297,026</u>	<u>330,230</u>	<u>627,256</u>	<u>308</u>
Total U.S. Department of Agriculture		673,248	-	376,222	297,026	376,530	673,556	308
<i>U.S. Department of Health and Human Services</i>								
Passed through County of Muskegon:								
TANF	93.558							
06-07 Case Management		158,052	27,792	27,792	-	-	-	-
06-07 Support Services		178,171	28,276	28,276	-	-	-	-
07-08 Case Management		223,390	-	193,990	-	223,390	223,390	29,400
07-08 Support Services		199,361	-	153,087	-	183,126	183,126	30,039
		<u>758,974</u>	<u>56,068</u>	<u>403,145</u>	<u>-</u>	<u>406,516</u>	<u>406,516</u>	<u>59,439</u>
Total passed through County of Muskegon								
Passed through Muskegon Area								
Intermediate School District:								
Head Start	93.600							
05CH8258/08		853,908	158,975	519,900	492,983	360,925	853,908	-
05CH8258/09		805,445	-	115,049	-	481,268	481,268	366,219
		<u>1,659,353</u>	<u>158,975</u>	<u>634,949</u>	<u>492,983</u>	<u>842,193</u>	<u>1,335,176</u>	<u>366,219</u>
Medical Assistance Program Title XIX	93.778							
Transportation & Outreach		19,127	-	19,127	-	19,127	19,127	-
Total passed through Muskegon Area								
Intermediate School District		<u>1,678,480</u>	<u>158,975</u>	<u>654,076</u>	<u>492,983</u>	<u>861,320</u>	<u>1,354,303</u>	<u>366,219</u>
Total U.S. Department of Health and Human Services		2,437,454	215,043	1,057,221	492,983	1,267,836	1,760,819	425,658

Whitehall District Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2007	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2008
					Prior year	Current year	Total	
U.S. Department of Labor								
Passed through County of Muskegon:								
Wagner Peyser	17.207							
403939/WP/06-08		\$ 34,338	\$ 11,308	\$ 11,308	\$ 34,338	\$ -	\$ 34,338	\$ -
403939/WP/06-09		34,986	-	29,155	-	34,986	34,986	5,831
		69,324	11,308	40,463	34,338	34,986	69,324	5,831
Workforce Investment Act Cluster								
Adult Program	17.258							
403939/WIA-06/07		486,054	66,550	66,550	-	-	-	-
403939/WIA-06/07		317,128	-	267,039	-	317,128	317,128	50,089
		803,182	66,550	333,589	-	317,128	317,128	50,089
Youth Activities	17.259							
403939/WIA-06/07		105,611	35,854	35,854	105,611	-	105,611	-
403939/WIA-06/07		58,839	-	20,039	-	58,839	58,839	38,800
		164,450	35,854	55,893	105,611	58,839	164,450	38,800
Dislocated Workers	17.260							
403939/WIA-06/07		190,050	78,031	78,031	190,050	-	190,050	-
403939/WIA-06/07		149,062	-	127,166	-	149,062	149,062	21,896
		339,112	78,031	205,197	190,050	149,062	339,112	21,896
Total WIA Cluster		1,306,744	180,435	594,679	295,661	525,029	820,690	110,785
Total passed through County of Muskegon and U.S. Department of Labor		1,376,068	191,743	635,142	329,999	560,015	890,014	116,616
Total Federal Financial Assistance		\$ 5,605,334	\$ 665,596	\$ 2,619,775	\$ 1,601,899	\$ 2,768,584	\$ 4,370,483	\$ 814,405

The accompanying notes are an integral part of this statement.

Whitehall District Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2008

1. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule.
2. Management has utilized the Grants Section Auditors Report (Form R7120) and CMS Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.
3. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2008

Governmental Funds financial statements

General Fund	\$ 560,462
Community Education Fund	1,843,905
Other governmental funds (includes Food Service Fund)	<u>364,217</u>

Expenditures per single audit report

Schedule of Expenditures of Federal Awards	\$ <u><u>2,768,584</u></u>
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Whitehall District Schools
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Whitehall District Schools.
2. **Two (2)** significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and are reported in Part B of this schedule. These significant deficiencies are not reported as material weaknesses.
3. **No** instances of noncompliance material to the financial statements of Whitehall District Schools were disclosed during the audit as reported in Part B of this schedule.
4. There are **no** significant deficiencies disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and as reported in Part C of this schedule.
5. The auditors' report on compliance for the major federal award programs for Whitehall District Schools expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Labor</i>	
Workforce Investment Act Cluster	17.258, 17.259 and 17.260
<i>U.S. Department of Health and Human Services</i>	
Temporary Assistance for Needy Families	93.558

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Whitehall District Schools was determined to be a low-risk auditee.

Whitehall District Schools
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended June 30, 2008

B. FINDINGS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

COMPLIANCE

NONE

SIGNIFICANT DEFICIENCIES

Fiscal 2008 Finding No. 1: Capital Asset Accounting Procedures

Criteria: Capital asset expenditures should be properly recorded at the time of the transaction.

Condition: During our detailed tests, we noted a capital asset was posted to a miscellaneous expenditure account rather than a capital outlay account.

Cause: The School District accounting personnel did not have a clear understanding of the capitalization threshold.

Effect: The capital asset not only was not recorded in capital outlay but also was not initially included as a current year addition for capitalization.

Recommendation: The review and recording of capital assets should be improved.

School District Response: The District will be implementing a new program for tracking capital assets. We will continue to use Deyo and Associates for tracking assets for insurance purposes, but will utilize different software for tracking assets for GASB 34 purposes. Throughout the year, when assets valued at \$5,000 or more are purchased, the invoice will be copied and placed in a file and the purchase will be logged on an Excel spreadsheet. The purchases will be reviewed by the Assistant Superintendent at least quarterly for accuracy.

Fiscal 2008 Finding No. 2: Community Education Budget Procedures

Criteria: Budget line item amounts should be based on realistic projections of expenditures.

Condition: During our audit tests, we noted several Community Education budget line items for which the final budgeted amounts did not appear to be a realistic projection of expenditures.

Cause: Community Education administrators need to direct more attention to the analysis of projected expenditures.

Effect: Community Education experienced significant variations, both positive and negative, for a number of budget line items.

Recommendation: The development of Community Education budget line items should be improved.

School District Response: The District has reorganized the business office to address the concerns with financial management of White Lake Area Community Education (WLACE). The employee who has handled the bookkeeping responsibilities for WLACE in the past has been reassigned to process payroll for both the District and WLACE. The District's bookkeeper, will be assuming responsibility for financial oversight of both the District and WLACE including but not limited to assisting with budgeting, reporting and preparation for the audit.

Whitehall District Schools
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended June 30, 2008

**C. FINDINGS RELATING TO THE MAJOR FEDERAL AWARD PROGRAMS AUDIT, WHICH ARE
REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133**

COMPLIANCE

NONE

SIGNIFICANT DEFICIENCIES

NONE

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 7, 2008

Michigan Board of Education
Lansing, Michigan

Whitehall District Schools respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2007 dated October 24, 2007.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

There were *no* compliance findings in relation to the financial statement audit.

SIGNIFICANT DEFICIENCIES

Fiscal 2007 Finding No. 1: Community Education Cash Receipts Procedures

Conditions: First, we noted that a Community Education program manager received and held two checks for program reimbursements aggregating \$55,896 for several weeks in August 2007 before forwarding them to the Community Education accountant to be deposited in the bank and to be recorded in the general ledger. Second, we noted two additional grant receipts received in August 2007 aggregating \$39,725 which should have been recorded as grants receivable with the associated grant revenue as of June 30, 2007.

Recommendation: Community Education compliance with the School District's cash receipts policies and procedures should be improved.

Current Status: This recommendation was implemented. *No* similar finding was noted during the single audit for the year ended June 30, 2008.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

COMPLIANCE

There were ***no*** compliance findings reported in relation to major federal award programs.

SIGNIFICANT DEFICIENCIES

There were ***no*** significant deficiencies reported in relation to major federal award programs.

Sincerely,

A handwritten signature in black ink that reads "Christine M. Annese". The signature is written in a cursive style with a large initial "C" and a distinct "M" and "A".

Christine M. Annese
Assistant Superintendent

CORRECTIVE ACTION PLAN

November 7, 2008

Michigan Board of Education
Lansing, Michigan

Whitehall District Schools respectfully submits the following Corrective Action Plan for the year ended June 30, 2008.

Name and address of independent public accounting firm:

Brickley DeLong, PLC
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2008

The findings from the Schedule of Findings and Responses for the year ended June 30, 2008 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

There were *no* compliance findings reported in relation to the financial statement audit.

SIGNIFICANT DEFICIENCIES

Fiscal 2008 Finding No. 1: Capital Asset Accounting Procedures

Recommendation: The review and recording of capital assets should be improved.

Action Taken: The District will be implementing a new program for tracking capital assets. We will continue to use Deyo and Associates for tracking assets for insurance purposes, but will utilize different software for tracking assets for GASB 34 purposes. Throughout the year, when assets valued at \$5,000 or more are purchased, the invoice will be copied and placed in a file and the purchase will be logged on an Excel spreadsheet. The purchases will be reviewed by the Assistant Superintendent at least quarterly for accuracy.

B. FINDINGS—FINANCIAL STATEMENT AUDIT—Continued

SIGNIFICANT DEFICIENCIES—Continued

Fiscal 2008 Finding No. 2: Community Education Budget Procedures

Recommendation: The development of Community Education budget items should be improved.

Action Taken: The District has reorganized the business office to address the concerns with financial management of White Lake Area Community Education (WLACE). The employee who has handled the bookkeeping responsibilities for WLACE in the past has been reassigned to process payroll for both the District and WLACE. The District's bookkeeper, will be assuming responsibility for financial oversight of both the District and WLACE including but not limited to assisting with budgeting, reporting and preparation for the audit.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

COMPLIANCE

There were *no* compliance findings reported in relation to major federal award programs.

SIGNIFICANT DEFICIENCIES

There were *no* significant deficiencies reported in relation to major federal award programs.

If the Michigan Board of Education has questions regarding this plan, please call Christine M. Annese at (231) 893-1000.

Sincerely,

A handwritten signature in black ink that reads "Christine M. Annese". The signature is written in a cursive, flowing style.

Christine M. Annese
Assistant Superintendent